

## Canagold Resources Ltd. (TSX:CCM)

### New Polaris Updated MRE Increases Indicated Resources by 89%

## Development Update

May 17, 2023

(Currency is CAD\$ unless noted otherwise)

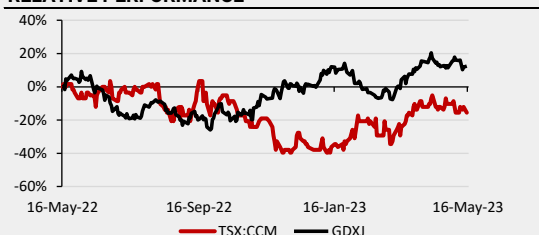
Closing Price (\$/sh)	\$0.25
Rating	BUY
Target (\$/sh)	\$1.40
Return to Target	471%
52 Week Low / High	\$0.17 / \$0.32

CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	136.9	139.3
Market Capitalization (\$MM)	\$33.5	
Enterprise Value (\$MM)	\$30.3	
Cash and Cash Equivalents (\$MM)	\$3.2	
Total Debt (\$MM)	\$0.0	

#### STOCK CHART



#### RELATIVE PERFORMANCE



NET ASSET VALUE	C\$/sh
New Polaris	\$2.47
Other Assets	\$0.03
Corporate Adjustments	(\$0.16)
NAVPS	\$2.34

RELATIVE VALUATION	EV/oz AuEq (US\$)	P/NAV
Canagold Resources Ltd.	\$21.4	0.10x
Peer Group Average*	\$11.5	0.63x

\*Capital IQ Consensus

#### MAJOR SHAREHOLDERS

Management (0.61%), Sunvalley Company DMCC (23.55%), Goldlogic Corp. (9.86%), Ruffer LLP (3.15%)

DISCLOSURE CODE:	1,2
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(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

#### Company Description

Canagold Resources Ltd. engages in the acquisition, exploration, and development of precious metal properties in the United States and Canada. The company explores for gold, silver, and copper deposits. Its flagship project is the New Polaris gold mine project that consist of 61 mineral claims and 1 grid claim covering an area of approximately 3,050 acres located in the Atlin Mining Division, British Columbia. The company was formerly known as Canarc Resource Corp. and changed its name to Canagold Resources Ltd. in December 2020. Canagold Resources Ltd. was incorporated in 1987 and is headquartered in Vancouver, Canada.

#### Impact: Positive

Canagold announced an updated mineral resource estimate (MRE) for its 100% owned New Polaris project in BC. The updated resource outlined 1.11M oz of contained Au of indicated and 0.27M oz of contained Au of inferred. **We believe that an increase in the project's resource and grade profile should bode well for economics and bring New Polaris one step closer to its Feasibility Study (FS), which is expected to progress over the course of this year. Canagold is already one of the highest-grade primary gold developers in Canada and the increase in tonnage, contained gold, and indicated resource grade helps bolster the company's resource profile.**

- Indicated Au ounces increased by 89%.** Indicated Au grade rose by 8%, while overall tonnage improved by 23% compared to the 2019 PEA. The company's updated indicated resource comprised of 2.97Mt at 11.61 g/t Au for ~1.1M oz Au (was ~1.69Mt at 10.80 g/t Au for 586k oz Au in 2019 PEA), while inferred resources comprised of 0.93Mt at 8.93 g/t for 266k oz Au (1.48Mt at 10.20 g/t Au for 486k oz Au in 2019 PEA) – Figure 1. Notably, the company's successful 2021-22 infill drill program (read [here](#) and [here](#)) was the primary contributor to the increase in tonnage, with the most recent batch of assays returning up to 53.8 g/t Au over 2.78m ([read more](#)). An improved geological model constrained by the additional drilling helped boost the Au grade.
- New Polaris advancing towards feasibility.** This MRE is expected to form the basis of a FS (anticipated in 2024). Given the positive results obtained in the updated MRE, the company is evaluating increasing the throughput design for the FS with the aim of increasing annual Au production. Canagold is working on a potential mine plan that is targeting annual production of 100k oz Au over a 10-year LOM.
- Updating our model.** We adjust our model to account for the updated mineral resource estimate, which featured an increase in tonnes and grade. We continue to assume a conversion rate of 80% for indicated and for inferred resources we now assume 40% (was 60%). As such, our modelled mine life has been extended by 3 years to 13 years (was 10 years) and now runs to 2039 (was 2036). We also incorporate Canagold's recent financing activities, its latest financial statements and share structure, and roll our model forward. We note that our project NAV8% for New Polaris increased to \$473.3M (was ~\$363M).

#### Valuation:

**We maintain our BUY rating and increase our target price to C\$1.40/sh (was C\$1.10/sh).** Our target is based on a discounted cash flow model of the New Polaris project to determine our post-financing NAVPS8% estimate of C\$2.34 (was C\$1.80) upon which we apply a 0.60x multiple (Figure 2). **Upcoming catalysts:** 1) Feasibility study work and trade off studies (ongoing), 2) Entry into BC EA process (Q1/23) and 3) Feasibility study (2024).

**Figure 1: Updated resource estimate at New Polaris**

New Polaris - Resource Estimate, effective date: April 20, 2023 and Comparison to 2019 PEA										
Class	Cutoff	2023 Resource			2019 Resource			Difference as a Percent:		
		Tonnage (ktonnes)	Au (gpt)	Au (koz)	Tonnage (ktonnes)	Au (gpt)	Au (koz)	(2023-2019)/2019		
	(Au gpt)							Tonnage	Au Grade	Au Metal
Indicated	3	3,118	11.21	1,124	1,798	10.40	601	73%	8%	87%
	4	2,965	11.61	1,107	1,687	10.80	586	76%	8%	89%
	5	2,769	12.11	1,078	1,556	11.30	565	78%	7%	91%
	6	2,525	12.75	1,035	1,403	12.00	541	80%	6%	91%
	7	2,270	13.45	981	1,260	12.60	510	80%	7%	92%
	8	2,049	14.09	928	1,105	13.30	473	85%	6%	96%
	9	1,814	14.81	864	947	14.10	429	92%	5%	101%
	10	1,594	15.55	797	1,639	9.50	501	-3%	64%	59%
Inferred	3	1,061	8.24	281	1,582	9.80	498	-33%	-16%	-44%
	4	926	8.93	266	1,483	10.20	486	-38%	-12%	-45%
	5	817	9.52	250	1,351	10.70	465	-40%	-11%	-46%
	6	706	10.16	231	1,223	11.20	440	-42%	-9%	-48%
	7	603	10.78	209	942	12.50	379	-36%	-14%	-45%
	8	491	11.52	182	753	13.80	334	-35%	-17%	-46%
	9	371	12.51	149	653	14.60	307	-43%	-14%	-51%
	10	291	13.33	125	0	0.00	0			

Source: Company Reports

**Figure 2: Canagold NAV Summary and Target Derivation**

Development Properties	0%	5%	8%	10%	12%	15%	20%
New Polaris (100%)	\$973.4	\$614.8	\$473.3	\$399.7	\$338.7	\$265.9	\$180.0
Total Mine Site After-Tax NPV	\$973.4	\$614.8	\$473.3	\$399.7	\$338.7	\$265.9	\$180.0
<b>Other Assets and/or Liabilities</b>							
Windfall Hills mineral property interest	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
Fondway Canyon mineral property interest	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2	\$3.2
Corral Canyon mineral property interest	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
Equity investments	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9	\$0.9
Total	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1	\$6.1
<b>Asset NAV</b>							
Total Pre-Financing NAV (C\$M)	\$979.5	\$620.9	\$479.5	\$405.8	\$344.9	\$272.0	\$186.1
Total Pre-Financing NAVPS (C\$/sh)	\$5.12	\$3.24	\$2.51	\$2.12	\$1.80	\$1.42	\$0.97
<b>Corporate Adjustments</b>							
Hedge value (mark-to-market)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Corporate G&A	(\$139.0)	(\$94.5)	(\$77.2)	(\$68.2)	(\$60.7)	(\$51.8)	(\$41.2)
Working capital (less equity investments)	\$6.4	\$6.4	\$6.4	\$6.4	\$6.4	\$6.4	\$6.4
Interest income net of financing expense	(\$42.0)	(\$29.3)	(\$23.9)	(\$21.0)	(\$18.5)	(\$15.3)	(\$11.5)
Cash Flow from Financing	\$34.8	\$56.4	\$63.5	\$66.6	\$68.8	\$70.7	\$71.4
Total net debt	(\$0.9)	\$33.5	\$46.0	\$52.1	\$56.8	\$61.8	\$66.4
Total Corporate Adjustments	(\$139.9)	(\$61.0)	(\$31.2)	(\$16.1)	(\$4.0)	\$10.0	\$25.2
<b>Corporate NAV</b>							
Total Post-Financing NAV (C\$M)	\$839.7	\$559.9	\$448.3	\$389.7	\$340.9	\$282.0	\$211.3
Total Post-Financing NAVPS (C\$/sh)	\$4.39	\$2.93	\$2.34	\$2.04	\$1.78	\$1.47	\$1.10
<b>Target Derivation</b>							
Total Post-Financing NAVPS <sub>8%</sub> (C\$/sh)				\$2.34			
Multiple				0.60x			
				\$1.41			
<b>Target Price</b>							
Return to Target				471%			

Source: RCS Estimates

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Updated May 16, 2023

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2021-07-28	NA	NA	BUY (S)	24%
2021-09-23	NA	NA	HOLD	1%
2021-11-11	NA	NA	TENDER	0%
2022-03-04	NA	NA	NA	3%
2022-04-18	BUY	1.85	UNDER REVIEW	3%
2022-07-05	BUY	1.85		
2022-07-21	BUY	1.85		
2022-10-28	BUY	1.85		
2023-02-07	BUY	1.10		

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Company Name	Ticker Symbol	Disclosures
Canagold Resources Ltd.	TSX:CCM	1,2

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